

Department of Social and Health Services

DP Code/Title: PL-FJ EBT Contract/Quality Assurance Cost
Program Level - 060 Economic Services Admin

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Recommendation Summary Text:

Washington State is federally mandated to implement and maintain an Electronic Benefits Transfer (EBT) system for the delivery of food assistance benefits. The Economic Services Administration (ESA) is requesting additional funding, to procure an attorney experienced in EBT contracting, to assist the state in its upcoming negotiations with the successful bidder. In addition, this request would fund quality assurance services, to provide oversight and consultation to ensure a successful and seamless continuation of EBT services.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Program 060			
001-1 General Fund - Basic Account-State	0	59,000	59,000
001-2 General Fund - Basic Account-Federal	0	13,000	13,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	0	16,000	16,000
001-D General Fund - Basic Account-TANF (DSHS)	0	12,000	12,000
Total Cost	0	100,000	100,000

Staffing

Package Description:

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 mandated that each state agency implement EBT for issuance of food stamp benefits no later than October 1, 2002. Washington implemented this program in November 1999, by contracting with Citicorp Electronic Financial Services (CEFS) for five years with the option for two one-year extensions. To continue these services after 2005, Washington did a joint procurement with six other western states and Guam, resulting in CEFS being chosen as the successful bidder once again. Contract negotiations, along with quality assurance services, will be needed to ensure Washington signs a contract with CEFS that maximizes services for our state, while minimizing risks. To achieve this, an attorney who has EBT contracting experience will need to be procured. Quality assurance services will also be required to provide third-party oversight and expertise to ensure a successful continuation of services.

Narrative Justification and Impact Statement

How contributes to strategic plan:

Performance Measure Detail

Program: 060

Goal: 02F Maintain safety net for people in need.

No measures submitted for package

Incremental Changes

FY 1 **FY 2**

Goal: 03F Improve quality and increase public value.

No measures submitted for package

Incremental Changes

FY 1 **FY 2**

Goal: 04F Achieve the highest level of customer satisfaction

Incremental Changes

FY 1 **FY 2**

Efficiency Measures

4F2 Increase client survey results of good or excellent service.

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Reason for change:

An attorney and a quality assurance vendor are required to develop the new contract and negotiate with CEFS for continuing services including new EBT services. Assurances are needed that the state is receiving the appropriate terms required to fulfill and achieve what is required in order to provide EBT services. This includes, but is not limited to, ensuring both food and cash benefits are delivered to clients. Using a monthly average, approximately \$50,600,000 was dispersed to 175,000 clients in Fiscal Year 2001.

Impact on clients and services:

Negotiation of an appropriate, concise contract ensures benefits are correct and provided in a timely manner, and allows the Department of Social and Health Services (DSHS) to include the performance measures necessary to ensure appropriate monitoring of the contract.

Impact on other state programs:

Clients of the Aging and Adult Service Administration (AASA) and the Division of Alcohol and Substance Abuse (DASA) will also be affected. These clients receive federal Food Assistance cash benefits delivered through the EBT process.

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

None

Alternatives explored by agency:

One alternative is to not hire an EBT knowledgeable attorney or quality assurance provider. CEFS is a Fortune 500 company with experienced, knowledgeable legal staff. ESA is in need of an equally skilled counsel that has the knowledge and ability to assure the contract contains all components to protect the state in instances when legal criteria are not being met. An experienced quality assurance vendor can critique and recommend certain deliverables, as well as project milestones that ensure successful implementation. Without these vital resources to the renegotiation, the risk increases that something will be overlooked in the contract, placing the department at risk.

Another alternative is to use Assistant Attorney General (AAG) staff to negotiate the contract. This would require the assigned AAG having the necessary experience in Information Technology contracts or those dealing with intellectual property. The CEFS legal staff have negotiated a number of EBT contracts, and are well aware of terms and conditions advantageous to CEFS. An experienced EBT attorney is required to enable the state to negotiate effectively. State staff could be used for quality assurance as well, although an independent, experienced third-party can often pinpoint and bring forward issues that need to be analyzed, as well as facilitate decisions that need to be made.

Budget impacts in future biennia:

Some costs will carry forward into future biennia.

Distinction between one-time and ongoing costs:

The costs of procuring and paying the attorney of \$50,000, are one-time only costs. Costs associated with quality assurance are ongoing.

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Effects of non-funding:

If a contract is not negotiated correctly, all future events can be affected. For example, if the EBT system falters with no remedies tied to the event, the vendor may not provide a solution in a timely manner, and many clients and retailers may be affected. Clients will not receive food and cash benefits, and retailers could have trouble processing transactions. Without quality assurance, the risk of unsuccessful implementation increases. Timelines may be missed or tasks may not be accomplished. Both attorney services and quality assurance services were key to the success of the original implementation of EBT, and are required to maintain the quality of the current environment.

Expenditure Calculations and Assumptions:

The following is the cost for a contracted attorney and quality assurance.

<u>Object Detail</u>		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Program 060 Objects				
E	Goods And Services	0	100,000	100,000
<u>DSHS Source Code Detail</u>				
Program 060		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State				
<u>Sources</u>	<u>Title</u>			
0011	General Fund State	0	59,000	59,000
Total for Fund 001-1		0	59,000	59,000
Fund 001-2, General Fund - Basic Account-Federal				
<u>Sources</u>	<u>Title</u>			
566B	Refugee & Entrant Assist-St Admin'd Prog(D)(100%)	0	1,000	1,000
E61L	Food Stamp Program (50%)	0	12,000	12,000
Total for Fund 001-2		0	13,000	13,000
Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa				
<u>Sources</u>	<u>Title</u>			
19UL	Title XIX Admin (50%)	0	16,000	16,000
Total for Fund 001-C		0	16,000	16,000
Fund 001-D, General Fund - Basic Account-TANF (DSHS)				
<u>Sources</u>	<u>Title</u>			
558B	Temp Assist for Needy Families (TANF) (100%)	0	12,000	12,000
Total for Fund 001-D		0	12,000	12,000
Total Program 060		0	100,000	100,000